



MEMORANDUM

To: Oversight Board

From: Al Hernandez, City Administrator

Date: June 14, 2012

Subject: ROPS I and II Update

On May 10, 2012, the Oversight Board met to approve ROPS I and II for submission to the Department of Finance (Attachments 1 and 2).

Pursuant to Health and Safety Code (HSC) Section 34177(1)(2)(C) on May 11, 2012, the Successor Agency to the San Fernando Redevelopment Agency submitted its ROPS I and II to the Los Angeles County Auditor-Controller and to the Department of Finance.

On May 25, 2012, the Department of Finance (after reviewing ROPS I and II schedules for the periods of January 2012 through June 2012 and July 2012 through December 2012, respectively), sent the Successor Agency to the San Fernando Redevelopment Agency its determination letter for ROPS I and II, outlining items that did not qualify as enforceable obligations (Attachment 3).

In summary, the Department of Finance did not approve the following:

- Item No. 5 – State of California Housing Finance Agency (CalHFA) loan for \$912,692.
- Item No. 14 – County deferred loan to the Redevelopment Agency loan for \$3,777,504.
- ROPS I Item Nos. 7 through 10 – Administrative expenses of \$19,500, as this is covered by the \$250,000 administrative cost allocation.

Other than the above, the Department of Finance is approving the remaining items listed in ROPS I and II.

The Successor Agency to the San Fernando Redevelopment Agency disagrees with the Department of Finance's determination that Item No. 14 (deferred County Loan) is not an enforceable obligation; and subsequently, has submitted a letter to the Los Angeles County Auditor-Controller and Department of Finance in this respect (Attachment 4).

OVERSIGHT BOARD

ROPS I and II Update

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On June 1, 2012, the Los Angeles County Auditor-Controller forwarded a check to the Successor Agency to the San Fernando Redevelopment Agency for the following (Attachment 5):

ROPS Enforceable Obligations	\$	1,588,614
Successor Agency Administrative Cost Allowance	\$	12,839
Total check for ROPS II	\$	1,601,453

Summary of funds received:

	Approved by Oversight Board	Approved by Department of Finance	Cash Received by Agency
ROPS I	\$ 747,325	\$ 727,735	\$ 0
ROPS II	\$ 2,633,508	\$ 1,843,435	\$ 1,601,453

ROPS I

The payment does not reimburse the City for any of the approved amounts (\$727,735)	\$	0
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ROPS II

The payment will cover:

US Bank Bond Payment 1998 Bonds	\$	649,613
US Bank Bond Payment 2006 Bonds	\$	841,723
US Bank Agency Fees – 1998 and 2008 Bonds	\$	3,500

	\$	1,494,836
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Administrative Cost Allowance <i>(covers \$12,839 of \$125,000 approved)</i>	\$	12,839
Wilshire Ventures Attorney	\$	25,107
LAUSD Attoreny	\$	9,000
Haagen Loan	\$	60,000
Other	\$	(329)

Total Payment Received	\$	1,601,782
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ROPS I and II Update

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This leaves the City with a cash shortfall as follows:

ROPS I	\$	727,735
ROPS II		
Retirement Override Assessment	\$	50,000
Sewer Fund Loan	\$	79,492
Administrative Cost Allowance	\$	112,161
Cash Shortfall to City	\$	969,389
Disallowed in Dispute		
County Deferred Loan <i>(total Amount \$3,777,504)</i>	\$	100,000
CalHFA	\$	912,692
Total	\$	1,982,081

ATTACHMENTS:

1. ROPS I
2. ROPS II
3. Department of Finance Letter (dated May 25, 2012)
4. Letter to the Department of Finance and LA County Auditor-Controller regarding the Deferred County Loan
5. LA County Auditor-Controller Remittance Statement

Name of Redevelopment Agency:		City of San Fernando Redevelopment Agency/Successor Agency													
Project Area(s)		All													
RECOGNIZED OBLIGATION PAYMENT SCHEDULE No. 1 Per AB 26 - Section 34167 and 34169 (*)															
Project Name / Debt Obligation		Payee	Description	Project Area	Source of Payment	Total Outstanding Debt or Obligation	Obligation Expiration Date	Total Due During Fiscal Year	Jan. 2012	Feb	Mar	Apr	May	June	Total
1	1998 Tax Allocation Bonds Series	US Bank	Bonds issued for the purpose of refinancing prior bonds from 1987 & 1991 ("prior bonds") and financing additional RDA activities. Council Resolution #6608.	#1 & 3	Tax Trust Fund	2,460,000.00	9/15/2014	684,188.00			49,613.00				\$ 49,613.00
2	2006 Tax Allocation Bonds Series	US Bank	Bonds issued for the purpose of City Yard relocation, Maclay Streetscape, and the Regional Aquatics facility. Council Resolution #7158, RDA Resolution #952.	#3	Tax Trust Fund	9,210,000.00	9/15/2020	994,170.00			161,722.50				\$ 161,722.50
3	1998 & 2006 Tax Allocation Bonds	US Bank	Fiscal agent fees & continuing disclosure fees charged by the Trustee (U.S. Bank) to administer the 1998 and 2006 bonds.	#1 & 3	Tax Trust Fund	4,965.00	9/15/2020	4,965.00							\$ -
4	Retirement override assessment	City of San Fernando - Retirement Fund	Accounting entry adjustment for the period from FY 2004-05 through FY 2009-10. Per Redevelopment Plan for project area #4 Tax Increment allocation requirements taxes levy known as the "Retirement Fund of the City of San Fernando", tax rate levied for said tax fund where deposited into Project Area 4 and should have been recorded separately into the Retirement Fund per the Redevelopment Plan adopted July 18, 1994 Ord. #1447.	#4	Tax Trust Fund	492,348.09	7/1/2012	-							\$ -
5	State CalHFA Loan	California Housing Finance Agency (CHFA)	CHFA loan was used to finance a 98-unit affordable senior housing development in the City.	LMIHF	LMIHF	912,692.00	8/5/2012	-							\$ -
6	Agency repayment of Sewer Fund loan.	San Fernando Public Finance Authority	Per Council Resolution #7362 dated 2/16/2010, The Sewer Fund invested monies into PA #2 & #4.	#2 & 4	Tax Trust Fund	465,424.00	5/15/2014	-							\$ -
7	Administrative Cost (Personnel Cost)	Employees of RDA/Successor Agency	Salaries and medical benefits for employees undertaking the activities of the RDA (from Jan. 1, 2012 through Jan. 31, 2012) and the activities of the Successor Agency (from Feb. 1, 2012 through June 30, 2012)	#1 , 2, 3, 3A & 4	Tax Trust Fund	250,000.00	On-going	250,000.00	41,667.00	41,667.00	41,667.00	41,667.00	41,666.00	41,666.00	\$ 250,000.00
8	SCO Transaction Report	Thales Consulting	Preparation of the State Controller's Financial Transaction Report. for FY 2011-12 per Health and Safety Code section 33080, this report is due within six months after the end of the fiscal year. Note: Approved by Oversight Board as professional services contract under ROPS No. 1 that are separate from the Administrative Costs for Agency staff and legal Counsel.	#1, 2, 3, 3A, 4, & LMHF	Tax Trust Fund	3,540.00	12/31/2012	3,540.00	3,540.00						\$ 3,540.00
9	Annual Audit	Diehls, Evans, & Company LLP	Annual Financial Audit Reports required per Health & Safety code section 33080 for FY 2011-12. Note: Approved by Oversight Board as professional services contract under ROPS No. 1 that are separate from the Administrative Costs for Agency staff and legal Counsel.	#1, 2, 3, 3A, 4, & LMHF	Tax Trust Fund	11,550.00	12/31/2012	11,550.00	11,550.00						\$ 11,550.00
10	Property Tax analysis	HDL, Coren & Cone	RDA/Successor Agency property Tax analysis and audit services. Note: Approved by Oversight Board as professional services contract under ROPS No. 1 that are separate from the Administrative Costs for Agency staff and legal Counsel.	#1, 2, 3, 3A & 4	Tax Trust Fund	4,500.00	On going	4,500.00	2,625.00					1,875.00	\$ 4,500.00

Name of Redevelopment Agency: City of San Fernando Redevelopment Agency/Successor Agency
 Project Area(s) All

RECOGNIZED OBLIGATION PAYMENT SCHEDULE No. 1
Per AB 26 - Section 34167 and 34169 (*)

	Project Name / Debt Obligation	Payee	Description	Project Area	Source of Payment	Total Outstanding Debt or Obligation	Obligation Expiration Date	Total Due During Fiscal Year							
									Jan. 2012	Feb	Mar	Apr	May	June	Total
11	Legal Services (Project Specific)	Richards, Watson & Gershon	Legal services provided to the RDA/Successor Agency to develop 20 low income housing units at 1422 San Fernando Road	LMIHF	LMIHF	7,400.00	On going	7,400.00						7,400.00	\$ 7,400.00
12	Wilshire Ventures - Attorney Fees	Aleshire Wynder, LLP	Ongoing Agency litigation regarding expired Exclusive Negotiation Agreement with Wilshire Ventures.	#1	Tax Trust Fund	25,107.00	On going	25,107.00	-						\$ -
13	LAUSD Litigation	Richards, Watson & Gershon	Ongoing attorney fees associated with defense of the Agency/Successor Agency regarding LAUSD lawsuit challenging prior fiscal years pass through payments.	#1, 2, 3, 3A & 4	Tax Trust Fund	9,000.00	On going	9,000.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	\$ 9,000.00
14	Project #1/89 Annex	County of Los Angeles	Repayment of Agency loan agreement #60882 with the LA County for deferral of tax increment in order to meet Agency's debt service obligations.	#1A	Tax Trust Fund	3,777,504.00	6/27/2021	100,000.00							\$ -
15	DDA with Haagen/Tiangus	San Fernando Mission Partnership	Payment of Developer loan per Disposition and Development Agreement (DDA) between the Agency and the Developer (San Fernando Mission Partnership/Tiangus) to facilitate redevelopment project at San Fernando Mission Blvd. .	#1A	Tax Trust Fund	17,673,269.00	6/27/2018	60,000.00							\$ -
16	SERAF Loan Payments	LMIHF	Housing Fund Loan to the Revlopment Project Areas to make the FY 2009-10 Supplemental Educational Revenue Augmentation Fund (SERAF) payment per Health and Safety Code Section 33690(a)(1).	#1, 2, 3, 3A & 4	Tax Trust Fund	2,064,000.00	6/30/2015	250,000.00						250,000.00	\$ 250,000.00
Totals - This Page						\$ 37,371,299.09		\$ 2,404,420.00	\$ 60,882.00	\$ 43,167.00	\$ 254,502.50	\$ 43,167.00	\$ 43,166.00	\$ 302,441.00	\$ 747,325.50
Totals - Page 2						\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Page 3						\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Other Obligations						\$ 41,355,845.00		\$ 1,757,803.00	\$ 102,785.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,757,803.00
Totals - All Pages						\$ 78,727,144.09		\$ 4,162,223.00	\$ 163,667.50	\$ 43,167.00	\$ 254,502.50	\$ 43,167.00	\$ 43,166.00	\$ 302,441.00	\$ 2,505,128.50

Name of Redevelopment Agency:		City of San Fernando Redevelopment Agency/Successor Agency														
Project Area(s)		All														
RECOGNIZED OBLIGATION PAYMENT SCHEDULE No. 2 Per AB 26 - Section 34167 and 34169 (*)																
Project Name / Debt Obligation			Payee	Description	Project Area	Source of Payment	Total Outstanding Debt or Obligation	Obligation Expiration Date	Total Due During Fiscal Year	July 2012	August	September	October	November	December	Total
1 1998 Tax Allocation Bonds Series			US Bank	Bonds issued for the purpose of refinancing prior bonds from 1987 & 1991 ("prior bonds") and financing additional RDA activities. Council Resolution #6608.	#1 & 3	Tax Trust Fund	1,890,000.00	9/15/2014	683,475.00			649,613.00				\$ 649,613.00
2 2006 Tax Allocation Bonds Series			US Bank	Bonds issued for the purpose of City Yard relocation, Maclay Streetscape, and the Regional Aquatics facility. Council Resolution #7158, RDA Resolution #952.	#3	Tax Trust Fund	8,550,000.00	9/15/2020	991,970.00			841,723.00				\$ 841,723.00
3 1998 & 2006 Tax Allocation Bonds			US Bank	Fiscal agent fees & continuing disclosure fees charged by the Trustee (U.S. Bank) to administer the 1998 and 2006 bonds.	#1 & 3	Tax Trust Fund	4,965.00	9/15/2020	4,965.00				3,500.00			\$ 3,500.00
4 Retirement override assessment			City of San Fernando - Retirement Fund	Accounting entry adjustment for the period from FY 2004-05 through FY 2009-10. Per Redevelopment Plan for project area #4 Tax Increment allocation requirements taxes levy known as the "Retirement Fund of the City of San Fernando", tax rate levied for said tax fund where deposited into Project Area 4 and should have been recorded seperately into the Retirement Fund per the Redevelopment Plan adopted July 18, 1994 Ord. #1447.	#4	Tax Trust Fund	492,348.09	7/1/2012	100,000.00				50,000.00			\$ 50,000.00
5 State CalHFA Loan			California Housing Finance Agency (CHFA)	CHFA loan was used to finance a 98-unit affordable senior housing development in the City.	LMHF	Tax Trust Fund	940,073.00	8/5/2012	940,073.00		690,073.00					\$ 690,073.00
6 Agency repayment of Sewer Fund loan.			San Fernando Public Finance Authority	Per Council Resolution #7362 dated 2/16/2010, The Sewer Fund invested monies into PA #2 & #4.	#2 & 4	Tax Trust Fund	465,424.00	5/15/2014	314,864.00	78,716.00				776.00		\$ 79,492.00
7 Administrative Cost (Personnel)			Employees of Successor Agency	Salaries and medical benefits for employees undertaking the activities of the Successor Agency (from July 1, 2012 through December 31, 2012).	#1, 2, 3, 3A, & 4	Tax Trust Fund	90,410.00	On-going	208,210.00	15,068.00	15,068.00	15,068.00	15,068.00	15,069.00	15,069.00	\$ 90,410.00
8 Administrative Cost (Financial Transaction Report)			Thales Consulting	Preparation of the State Controller's Financial Transaction Report. for FY 2011-12 per Health and Safety Code section 33080, this report is due within six months after the end of the fiscal year.	#1, 2, 3, 3A, & 4 LMHF	Tax Trust Fund	3,540.00	12/31/2012	3,540.00						3,540.00	\$ 3,540.00
9 Administrative Cost (Annual Audit)			Diehls, Evans, & Company LLP	Annual Financial Audit Reports required per Health & Safety code section 33080 for FY 2011-12.	#1, 2, 3, 3A, & 4 LMHF	Tax Trust Fund	11,550.00	12/31/2012	11,550.00				3,850.00	3,850.00	3,850.00	\$ 11,550.00
10 Administrative Cost (Property Tax Analysis)			HDL, Coren & Cone	RDA/Successor Agency property Tax analysis and audit services	#1, 2, 3, 3A, & 4	Tax Trust Fund	4,500.00	On going	4,500.00					4,500.00		\$ 4,500.00

Name of Redevelopment Agency:		City of San Fernando Redevelopment Agency/Successor Agency													
Project Area(s)		All													
RECOGNIZED OBLIGATION PAYMENT SCHEDULE No. 2 Per AB 26 - Section 34167 and 34169 (*)															
Project Name / Debt Obligation	Payee	Description	Project Area	Source of Payment	Total Outstanding Debt or Obligation	Obligation Expiration Date	Total Due During Fiscal Year								
								July 2012	August	September	October	November	December	Total	
11 Administrative Cost (Legal Services)	Richards, Watson & Gershon	Legal services provided to the Successor Agency	#1, 2, 3, 3A, & 4	Tax Trust Fund	22,000.00	On going	22,200.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	\$	15,000.00
12 Wilshire Ventures - Attorney Fees	Aleshire Wynder, LLP	Ongoing Agency litigation regarding expired Exclusive Negotiation Agreement with Wilshire Ventures.	#1	Tax Trust Fund	25,107.00	On going	25,107.00	25,107.00						\$	25,107.00
13 LAUSD Litigation	Richards, Watson & Gershon	Ongoing attorney fees associated with defense of the Agency/Successor Agency regarding LAUSD lawsuit challenging prior fiscal years pass through payments.	#1, 2, 3, 3A, 4	Tax Trust Fund	18,000.00	On going	18,000.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	\$	9,000.00
14 Project #1/89 Annex	County of Los Angeles	Repayment of Agency loan agreement #60882 with the LA County for deferral of tax increment in order to meet Agency's debt service obligations.	#1A	Tax Trust Fund	3,777,504.00	6/27/2021	100,000.00		100,000.00					\$	100,000.00
15 DDA with Haagen/Tiangus	San Fernando Mission Partnership	Payment of Developer loan per Disposition and Development Agreement (DDA) between the Agency and the Developer (San Fernando Mission Partnership/Tiangus) to facilitate redevelopment project at San Fernando Mission Blvd. .	#1A	Tax Trust Fund	17,673,269.00	6/27/2018	60,000.00			60,000.00				\$	60,000.00
16 SERAF Loan Payments	LMIHF	Housing Fund Loan to the Revelpoment Project Areas to make the FY 2009-10 Supplemental Educational Revenue Augmentation Fund (SERAF) payment per Health and Safety Code Section 33690(a)(1).	#1, 1A, 2, 3, 3A, & 4	Tax Trust Fund	2,064,000.00	6/30/2015	250,000.00							\$	-
Totals - This Page					\$ 36,032,690.09		\$ 3,738,454.00	\$ 122,891.00	\$ 809,141.00	\$ 1,570,404.00	\$ 76,418.00	\$ 28,195.00	\$ 26,459.00	\$	2,633,508.00
Totals - Page 2					\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-
Totals - Page 3					\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-
Totals - Other Obligations					\$ 41,143,906.00		\$ 2,305,303.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	1,410,471.82
Totals - All Pages					\$ 77,176,596.09		\$ 6,043,757.00	\$ 122,891.00	\$ 809,141.00	\$ 1,570,404.00	\$ 76,418.00	\$ 28,195.00	\$ 26,459.00	\$	4,043,979.82



**DEPARTMENT OF
FINANCE**

ATTACHMENT NO. 3

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 25, 2012

Al Hernandez, City Administrator
City of San Fernando
117 Macneil Street
San Fernando, CA 91340

Dear Mr. Hernandez:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of San Fernando (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 13, 2012 for the periods January through June 2012 and July through December 2012. Finance is assuming oversight board approval. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EO) characteristics. Based on a sample of items reviewed and application of the law, the following items do not qualify as (EO).

January through June 2012 ROPS

- Item No. 5 – State California Housing Finance Agency (CalHFA) Loan for \$912,692. The \$912,692 relates to a March 5, 2002 agreement with the City and California Housing Finance Agency. This agreement is with the City and not with the former RDA. Therefore, the California Housing Finance Agreement Loan is not an EO.
- Item Nos. 7 through 10 – Administrative expenses of \$19,590. The HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. The City is allowed \$250,000 for administration costs. Therefore, \$19,590 of the claimed \$269,590 is not allowed.
- Item No. 14 – Loan for \$3,777,504. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The RDA was established in 1965. The loan agreement was made subsequent to the first two-year period. Therefore, neither the loan nor the advance is an EO.

July through December 2012 ROPS

- Item No. 5 – State CalHFA Loan for \$940,073. The \$940,073 relates to a March 5, 2002 agreement with the City and California Housing Finance Agency. This agreement is with the City and not with the former RDA. Therefore, the California Housing Finance Agreement Loan is not an EO.
- Item No. 14 – Loan for \$3,777,504. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The RDA

was established in 1965. The loan agreement was made subsequent to the first two-year period. Therefore, neither the loan nor the advance is an EO.

Except for items disallowed in whole or in part as EOs noted above, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. Therefore as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Office of the Los Angeles County Auditor
Mr. Federico Ramirez, City Planner, Community Development of San Fernando



CITY OF
San Fernando
Historic & Visionary

ATTACHMENT NO. 4

May 30, 2012

Zachary Stacy
California Department of Finance, BTH Unit
915 L. Street, 8th Floor
Sacramento, CA 95814

(sent via email Redevelopment_administration@dof.ca.gov)

Pursuant to Health and Safety Code (HSC) Section 34177(1)(2)(c), the City of San Fernando (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 13, 2012 for the period July through December 2012, as approved by the Oversight Board.

Your letter of May 25, 2012, indicates that per HSC Section 34171(d) our Item No. 14 (loan for \$3,777,504) does not qualify as an enforceable obligation. Your letter further states that "loans between the entity and that created the Redevelopment Agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The RDA was established in 1965. The loan agreement was made subsequent to the first two-year period. Therefore, neither the loan nor the advance is an enforceable obligation."

Regarding Item No. 14 on both ROPS I and ROPS II, we disagree with your interpretation that this loan is subject to HSC Section 34171(d)(2). The "Agreement for Tax Increment Revenues" (pass through agreement) from which this loan originates is between the former RDA, Los Angeles County, and the County Flood Control District. Although the City is nominally a party to the agreement (presumably because it was the City Council that adopted the redevelopment project that is the subject of the agreement), it is the RDA that is the "borrower", and the County taxing entities that are the "lender" of the loan at issue (see Section 4 of the Agreement).

As this Agreement is not subject to HSC 34171(d)(2), we request that the Department of Finance reverse its determination that Item No. 14 is not an enforceable obligation.

If you have any questions, please contact me at 818/898-1202.

Sincerely,

Al Hernandez
City Administrator

Enclosure: County Deferral Loan Contract PA IA
County Deferral Letter 2011
Department of Finance Determination Letter

cc: Kristine Burns, Program Specialist III, Office of the Los Angeles County Auditor
Federico Ramirez, City Planner, Community Development Department, City of San Fernando



60882

AGREEMENT FOR ALLOCATION OF TAX INCREMENT FUNDS

(Redevelopment Plan for Amendment No. 3 to
San Fernando Redevelopment Project No. 1)

THIS AGREEMENT, made and entered into this 9th day of Nov., 1988, by and between the San Fernando Redevelopment Agency ("Agency"), the City of San Fernando ("City"), Los Angeles County Flood Control District ("Flood Control District"), and the County of Los Angeles ("County").

WHEREAS, the City Council of the City of San Fernando and the Agency held a joint public hearing on June 20, 1988, for the purpose of considering the approval and adoption of the Redevelopment Plan for Amendment No. 3 to San Fernando Redevelopment Project No. 1 (hereinafter referred to as the "Plan"); and

WHEREAS, the City adopted Ordinance No. 1316 on June 27, 1988, approving and adopting the Plan; and

WHEREAS, the Agency has consulted with representatives of the County on behalf of the County General Fund and the Flood Control District (hereinafter referred to as "County Taxing Entities") pursuant to Health and Safety Code Sections 33328 and 33353.3 to determine the fiscal impact of the Plan; and

WHEREAS, the County Taxing Entities have found and the Agency hereby finds that Amendment No. 3 to San Fernando Redevelopment Project No. 1 (hereinafter referred to as the "Project") will cause "financial detriment" to the County Taxing Entities (as that term is defined in Section 33012 of the Health and Safety Code) in the absence of this Agreement; and

WHEREAS, this Agreement, is entered into upon the authority of Health and Safety Code Section 33401 and the provisions of the Plan required by Health and Safety Code Section 33338.1; and

WHEREAS, the Agency agrees to make any findings necessary to the determination of the County Taxing Entities' fiscal detriment pursuant to Health and Safety Code Section 33401; and

WHEREAS, by approval of this Agreement, the parties hereto find and determine that any financial burden or detriment described in Health and Safety Code Sections 33012 and 33401 relating to the Project are thereby alleviated; and

WHEREAS, the County, Agency, and City intend that this Agreement shall serve as a full, fair, and final solution to the County Taxing Entities' concerns regarding the financial burden or detriment of the Project on them and all other legal issues regarding the validity of the Plan and the City's and Agency's implementation of the Plan and Project, and the County Taxing Entities agree to forebear any judicial remedies they may have to challenge the validity or implementation of the Plan and the Project; and

NOW THEREFORE, for and in consideration of the foregoing, the parties do hereby agree as follows:

1. Assessment Roll - The 1987-1988 assessment roll, which was the last roll equalized prior to the effective date of the ordinance adopting the Plan, will be utilized as the base year assessment roll for the allocation of taxes for the Project pursuant to Section 33670 of the California Health and Safety Code.

2. Base Allocation of Tax Increment - That portion of tax revenues generated pursuant to Health and Safety Code Section 33670(b) or successor statutes ("tax increments") shall be distributed as follows:

a. Pursuant to Health and Safety Code Section 33676(a)(2), the County Taxing Entities shall annually be allocated that amount of tax increments attributable to increases in assessed value of the taxable property in the Project area which are, or otherwise would be, calculated annually pursuant to Subdivision (f) of Section 110.1 of the Revenue and Taxation Code. The payment to be made pursuant to this paragraph 2a shall not be used to calculate the Agency's maximum tax increment limit of \$16 million for the Project Area.

Annual Growth

b. The County Taxing Entities shall annually be allocated their proportionate share of the allocated property tax increments for the Project area attributable to the basic tax levy, less the sum of (i) that portion of such tax increments annually allocated to the County Taxing Entities pursuant to Paragraphs 2a and 2c herein, and (ii) the County Taxing Entities share of the contribution to the

low- and moderate-income Housing Fund pursuant to Paragraph 3 below. The allocation made pursuant to this paragraph 2b, which shall be subject to the loan provisions in paragraph 4 of this Agreement, shall not be used to calculate the Agency's maximum tax increment limit of \$16 million for the Project area.

- c. In addition to the portion of taxes allocated to the County Taxing Entities pursuant to subdivision (a) of Health and Safety Code Section 33670 and Paragraphs 2a and 2b herein, an amount equal to all that portion of the tax revenues allocable to the Agency pursuant to subdivision (b) of Section 33670 attributable to increases in the rate of tax levied by the County Board of Supervisors for the benefit of the County or special districts for which the Board of Supervisors acts as the governing body, which levy occurs after the tax year in which the ordinance adopting the Plan became effective, shall be allocated to the County pursuant to Health and Safety Code Section 33676(a)(1). The payment to be made pursuant to this paragraph 2c shall not be used to calculate the Agency's maximum tax increment limit of \$16 million for the Project area.
- Tax increment

3. Housing Fund - The parties recognize the mutual benefits of providing low- and moderate-income housing. Moreover, Section 33334.2 of the Health and Safety Code requires that twenty percent (20%) of the tax increment revenue allocated to the Agency shall be paid into a fund to be used for low- and moderate-income housing unless certain findings are made. Therefore, during the life of the Project, the County Taxing Entities agree that, in any year in which tax increments are to be contributed to the Low and Moderate Income Housing Fund, such contribution shall be governed by the following:

- a. The County Taxing Entities shall contribute to the Housing Fund on a pro rata basis. Pro rata shares of such contribution shall equal the percentage to be contributed pursuant to Health and Safety Code Section 33334.2, not to exceed twenty percent (20%) of the amounts the County Taxing Entities are allocated pursuant to paragraph 2b of this

Agreement. If the Agency determines that less than twenty percent (20%) of the tax increment revenue generated by the Project area is to be contributed to the Housing Fund, the County's Taxing Entities' contribution shall be reduced accordingly.

- b. Monies deposited into the Housing Fund pursuant to this Section, shall be held by the Agency for use in accordance with the requirement of Health and Safety Code Section 33334.2. The Agency, in making any expenditures from the Housing Fund, shall give due recognition that a proportionate share of such expenditures and of the improvement of the supply of low- and moderate-income housing is a result of the cooperation of the County in the Agency's redevelopment effort.
- c. The Agency shall notify, in writing, the County Auditor-Controller by October 1 of each year as to whether or not tax increments are to be contributed to the Housing Fund and the percentage that is to be contributed.
- d. Accumulated deposits, investment earnings, and itemized expenditures of balances in the Housing Fund shall be accounted for separately from all other Agency funds. The County's pro rata share of any uncommitted balance remaining in the Housing Fund on termination of the Project, if any, shall be repaid to the County.

4. County Loan - Recognizing the Agency's need to utilize a substantial portion of the annual tax increments generated in the Project area in the earlier years of the Project, the County Taxing Entities agree to loan the tax increments allocated to the County Taxing Entities pursuant to paragraph 2b of this Agreement to the Agency on the basis stated below:

- a. The County Taxing Entities, for the first twenty (20) years of the Project during which the Agency is authorized to have tax increment revenues allocated to it (i.e., fiscal year 1988-89 through fiscal year 2008-09), shall annually loan to the Agency that portion of the amounts allocated to the

*County Loan starts
in FY 89/90*

County Taxing Entities pursuant to paragraph 2b of this Agreement. In no event shall the County loan exceed the tax increment reimbursement amount specified in paragraph 2b of this Agreement.

- b. The loan shall accrue interest at seven (7) percent per year, compounded annually. Such interest shall be calculated annually by the County Auditor-Controller based on the outstanding loan balance, including interest accrued to date, as of June 30. The County Auditor-Controller shall notify the Agency of the total outstanding principal and interest due no later than September 15 of each year.
- c. The Agency shall commence repayment of this loan obligation beginning with the twenty-first (21st) year of the Project.
- d. The County Taxing Entities shall begin to receive their full share of tax increment the year in which County deferrals are terminated.
- e. The Agency shall, for years twenty-one^{§ 9} through thirty (i.e., fiscal year 2009-10 through fiscal year 2018-19), make annual loan repayments to the County Taxing Entities equal to and from the sole source of the "Agency's share" of tax increment revenues. As used herein the term "Agency's share" of tax increment revenues shall mean all tax increment revenues allocated to the Agency from the Project area, less the sum of (i) the amounts required to be deposited into the Housing Fund pursuant to Health and Safety Code Section 33334.2 or successor statute, (ii) the City's proportionate share (twenty percent [20%]) of the portion of the property tax increment revenues from the Project area attributable to the basic tax levy, (iii) that portion of the property tax increment revenues from the Project area attributable to the City's levy of its retirement tax override, (iv) the amounts required to be paid to other taxing entities to alleviate financial burden or detriment pursuant to Health and Safety Code Section 33401 or successor statute, and (v) the amounts allocated to the County pursuant to paragraphs 2.b and 2.c herein.

- f. Said County loan shall be considered indebtedness for the purpose of listing on the Project's annual statements of indebtedness.
 - g. Said County loan shall not be used to calculate the Agency's maximum tax increment limit of \$16 millic. for the Project area.
- 5. County Issuance of Bonds - The Agency agrees that the County may, at its own discretion, issue bonds secured by the tax increment revenues generated by this Agreement for the County as may be authorized by law. Such bonds shall be payable solely from the tax increment revenues provided to the County under paragraph 4 of this Agreement. The County shall not pledge the faith or credit of the City or Agency to secure such bonds.
- 6. County Taxing Entities-Owned/Leased Property - The development by the County Taxing Entities of any real property owned or leased within the Project area shall not be subject to the approval or control of the City or Agency beyond that available to the City prior to the date of execution of this Agreement, except with the written consent of the County Taxing Entities.
- 7. Amendments to Redevelopment Plan - The Agency shall not amend the Plan as described in Health and Safety Code Section 33354.6 without prior written approval of the County.
- 8. Administration - County's Auditor-Controller shall annually determine, document and distribute tax increment funds in accordance with this Agreement, as follows:
 - a. The Auditor-Controller shall annually determine, as provided by State law: (i) The total amount of tax increments generated by the Project; (ii) the total amount of tax increments that will be paid to the Agency; (iii) the amount of tax dollars to be allocated to the County Taxing Entities based on the distribution established by this Agreement; (iv) the total amount of tax increments that will be allocated to the Housing Fund by the Agency and the County Taxing Entities; (v) the amount the County Taxing Entities shall loan to the Agency

pursuant to paragraph 4 of this Agreement;
and (vi) the amount the Agency shall repay on
the loan from the County Taxing Entities
pursuant to paragraph 4 of this Agreement.

- b. The County Auditor-Controller shall allocate and distribute the funds described in Health and Safety Code Section 33670(b) pursuant to the requirements of this Agreement. In the event the County Auditor-Controller makes over-payments to the Agency, the Agency shall repay the County Taxing Entities for such overpayment within ten (10) working days or, in the alternative, the amount shall be withheld from future payments to the Agency for any of its projects until full repayment is received.

9. Miscellaneous

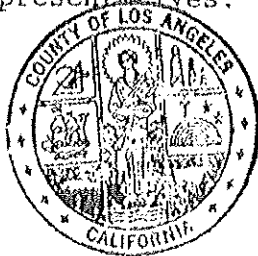
- a. Nothing in this Agreement shall relieve the Agency from the obligation of filing a Statement of Indebtedness pursuant to Health and Safety Code Section 33675.
 - b. If this Agreement is held invalid, in whole or in part, in order to carry out the purposes of this Agreement, the parties agree that each will take all necessary steps, including formal action and execution of documents, to accomplish the provisions of this Agreement (including the distribution of tax increment in the manner and according to the allocation contemplated herein) by legal means.
 - c. For audit purposes, the Agency shall have the right to review the County Auditor-Controller's calculations required in Paragraph 8a herein.
10. Term - The effective date of this Agreement shall be the date of execution by the County Board of Supervisors and, unless previously terminated by mutual agreement of the parties, all rights and obligations in this Agreement shall terminate when the Agency's legal right to claim and receive tax increments from the Project ceases.
11. Other Agency Projects - The Agency agrees to negotiate with the County to allow the County Taxing Entities to receive tax increment from the

Agency's other existing projects. Any resulting agreements shall not interfere with the Agency's need to service project debts existing at the time of the execution of such agreements. Any pass-through or partial pass-through of tax increment to the County resulting from such agreements shall be subordinate to the Agency's existing debts. Nothing contained in this paragraph 11 shall be deemed to give the County any rights to compel payment of any tax increment from the Agency's other existing projects nor shall it be deemed to give the County any rights to challenge the validity or implementation of the Redevelopment Plans for said projects in the event the Agency does not agree to such payment.

12. Covenant Not to Sue - The County, on its own behalf and on behalf of the County Taxing Entities, hereby waives any and all causes of action, cases, claims, counts, actions, and/or complaints relating to, and agrees not to challenge the validity of, the Plan for the Project or the implementation thereof, including without limitation the legality and validity of all proceedings heretofore taken for or in any way connected with the establishment of the Project and the adoption of the Plan.
13. Severability - If any portion of this Agreement is held invalid, the remaining provisions shall maintain their full force and effect.

IN WITNESS THEREOF, City of San Fernando, the San Fernando Redevelopment Agency, Los Angeles County Flood

Control District, and the County of Los Angeles have caused this Agreement to be executed on their behalf by their duly authorized representatives.



ATTEST TO:

COUNTY OF LOS ANGELES

By:

Edmund D. Edelman
Chairman of the Board
of Supervisors

LARRY J. MONTEILH,
Executive Officer -
Clerk of the
Board of Supervisors

LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT

By:

Cynthia A. Benson
Deputy

By:

Edmund D. Edelman

Approved as to Form:

SAN FERNANDO REDEVELOPMENT
AGENCY

DE WITT W. CLINTON
County Counsel

By:

Robert Richardson

By:

Myra M. McLean
Deputy

Approved as to Form:

CITY OF SAN FERNANDO

RUTAN & TUCKER

By:

Donald E. Penman

By:

Edith M. L. Larkin
Special Agency Counsel
Redevelopment Agency
of the City of San Fernando

2mv:sanfern.agr

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

11

MAR 21 1989

Larry J. Monteilh
LARRY J. MONTEILH
EXECUTIVE OFFICER



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8361 FAX: (213) 229-0179

WENDY L. WATANABE
AUDITOR-CONTROLLER

ADDRESS ALL CORRESPONDENCE TO:
PROPERTY TAX DIVISION
500 W. TEMPLE ST., ROOM 524
LOS ANGELES, CA 90012-2713

August 26, 2011

Lorena Quijana, Finance Director
San Fernando Redevelopment Agency
117 Mac Neil Street
San Fernando, California 91340-2993

Dear Ms. Quijano:

OUTSTANDING COUNTY DEFERRAL BALANCE AS OF JUNE 30, 2011

The following information is provided in accordance with the deferral provisions of the contractual agreement between the County of Los Angeles and your Agency:

Project Name:	-	Project #1/89 Annex
Reimbursement Agreement #	-	60882
Outstanding Balance as of		
June 30, 2010	-	\$3,494,014.45
Current Years Deferral	-	0.00
Deferral Repayment	-	(95,245.28)
Prior Years' Adjustment	-	(5,892.81)
Annual Interest @ 7%	-	237,501.35
Outstanding Balance as of		
June 30, 2011	-	\$3,630,377.71

Should you have any questions regarding this matter, please contact **Wai Kwan** or **David Chang** of my staff at (213) 974-7451 and (213) 974-8290, respectively or by fax at (213) 229-0179.

Very truly yours,

Kristina Burns, Manager
Community Redevelopment Administration Section
Property Tax Division

KB:DC:wk

H:\Deferral Admin\Notification\2010-11\240.06 San Fernando - RP #1 '89 Anx



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 25, 2012

Al Hernandez, City Administrator
City of San Fernando
117 Macneil Street
San Fernando, CA 91340

Dear Mr. Hernandez:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of San Fernando (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 13, 2012 for the periods January through June 2012 and July through December 2012. Finance is assuming oversight board approval. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EO) characteristics. Based on a sample of items reviewed and application of the law, the following items do not qualify as (EO).

January through June 2012 ROPS

- Item No. 5 – State California Housing Finance Agency (CalHFA) Loan for \$912,692. The \$912,692 relates to a March 5, 2002 agreement with the City and California Housing Finance Agency. This agreement is with the City and not with the former RDA. Therefore, the California Housing Finance Agreement Loan is not an EO.
- Item Nos. 7 through 10 – Administrative expenses of \$19,590. The HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. The City is allowed \$250,000 for administration costs. Therefore, \$19,590 of the claimed \$269,590 is not allowed.
- Item No. 14 – Loan for \$3,777,504. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The RDA was established in 1965. The loan agreement was made subsequent to the first two-year period. Therefore, neither the loan nor the advance is an EO.

July through December 2012 ROPS

- Item No. 5 – State CalHFA Loan for \$940,073. The \$940,073 relates to a March 5, 2002 agreement with the City and California Housing Finance Agency. This agreement is with the City and not with the former RDA. Therefore, the California Housing Finance Agreement Loan is not an EO.
- Item No. 14 – Loan for \$3,777,504. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The RDA

was established in 1965. The loan agreement was made subsequent to the first two-year period. Therefore, neither the loan nor the advance is an EO.

Except for items disallowed in whole or in part as EOs noted above, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. Therefore as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Office of the Los Angeles County Auditor
Mr. Federico Ramirez, City Planner, Community Development of San Fernando



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

ATTACHMENT NO. 5

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

JUDI E. THOMAS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN

June 1, 2012

All Successor Agencies within Los Angeles County

**DEPARTMENT OF FINANCE (DOF) REJECTED ABx1 26 RECOGNIZED
OBLIGATIONS PAYMENT SCHEDULE (ROPS) ITEMS**

This letter is to inform you how Los Angeles County determined the amount of Redevelopment Property Tax Trust Funds (RPTTF) to distribute to Successor Agencies. Specifically, this supports the ROPS payment for July 1, 2012 to December 31, 2012.

We first deposited into each Successor Agency's RPTTF the amount of property tax collections that would have been distributed in the months of February 20th through May 20th, 2012. In accordance with ABx1 26, we then deducted County Auditor administrative costs and pass-through for all taxing entities.

Next, we reviewed each Successor Agency's ROPS and determined which items DOF approved. For item(s) that the DOF approved, we processed the payment to your Successor Agency accordingly. For item(s) that does/do not meet the criteria of an Enforceable Obligation and were disapproved by the DOF, we have redirected the funds to affected taxing entities, as required by Health and Safety §34188(a).

Please note that in the event your agency did not have sufficient funds remaining in the RPTTF to fund your ROPS, we deducted subordinated pass-through, in accordance with the pass-through agreements.

If you have any questions regarding this issue, please contact Arlene Barrera at abarrera@auditor.lacounty.gov or (213) 974-8361 or Kristina Burns at kburns@auditor.lacounty.gov or (213) 974-8362.

Very truly yours,

Wendy L. Watanabe
Auditor-Controller

WLW:JN:AB:ilm

Redevelopment Property Tax Trust Fund Allocations & Distributions for June 1, 2012 Covering the Period 7/1/2012 through 12/31/2012

Page 1 of 1